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Delivering on the Brand Promise: Making Every Employee a Brand Manager

Aligning Human Capital Strategy with Brand Strategy

By Carla Heaton and Rick Guzzo

Many companies fail to deliver on the promise that their brand, implicitly or explicitly, makes to customers. Automakers promise a whole new experience in car ownership, but perpetuate the same old sales pressure and haggling at the dealership. Banks promise one-stop shopping, then require multiple conversations and handoffs for different products. Airlines tout their kid-gloves

Employees are a critical yet under-emphasized element in delivering the positive customer experience necessary to build a strong brand. A strategic approach to human capital will enable employees to deliver to their fullest potential.

treatment for business travelers, then put them through the overbooking and lost-baggage circles of hell, with the "customer service representative" either powerless or otherwise engaged. Computer software makers promise to raise office productivity, then understaff their technical support teams.

This brand "bait and switch"—the raising of customer expectations that are then dashed—seriously erodes the power of a brand over even short time periods. It certainly does more harm than simply delivering an unsatisfactory experience without having promised something better. Internet firms, in particular, are learning the dangers of delivering to customers an online experience that falls far short of the one they expect.

A brand promise can be unmasked as a hollow boast at almost any point during a customer's experience with a company, product, or service. Each interaction represents a "moment of truth" that can enhance or erode the brand, heighten or undermine customer loyalty, and affect business results for better or worse.

End-to-end customer management recognizes that when the customer needs a solution, he or she cares about the result, not the messy process of getting there. Consumers and business customers alike expect fast service, convenience, appropriate cross-selling, and solutions to their problems. And they want consistent treatment across all the sales channels through which they interact.

Delivering a seamless experience that pleases customers, however, is becoming increasingly difficult. Customer

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satisfaction has been declining in many industries for the past decade, in part because the bar is rising—customers have higher service expectations, expanded options, more cross-industry benchmarks, and lower switching costs. At the same time, execution challenges are intensifying, due to product and channel proliferation, cost pressures,

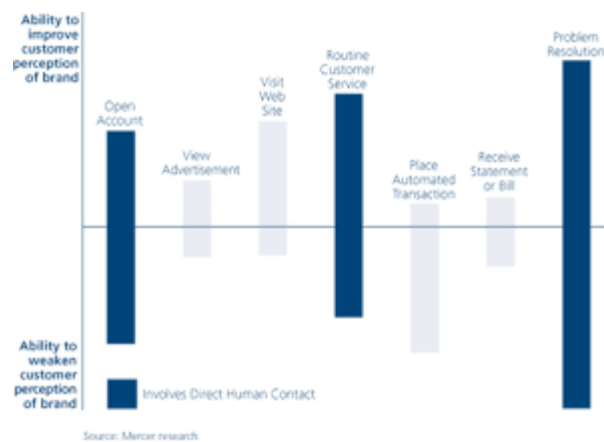
heightened M&A activity, and talent scarcity in most sectors.

Companies that succeed in this challenging environment can distinguish themselves and reap significant rewards. Because consistent delivery of the brand promise tends to be costly and time-consuming for competitors to replicate, it reinforces the ability of a brand to serve as a potent source of strategic control.

The hidden jewels

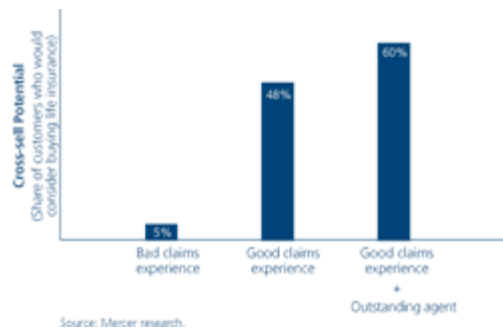
Bringing a well-designed customer experience to life requires aligning every point of customer contact with the brand promise, from the storefronts to the call centers to the Web site, from the first contact to ongoing service interactions. The most important factor in creating a successful customer experience, however, is a company's workforce. The moments of truth involving human interaction often have the greatest impact on how a customer feels about the brand (see Exhibit 1). So it is crucial for companies to ensure that their employees continually reinforce the brand.

Exhibit 1: Analysis of customer "moments of truth" in retail banking shows how human interaction magnifies, both positively and negatively, how a customer feels about a brand.



A major U.S. insurance company came to this realization in the early 1990s. The company wanted to stem attrition of auto and homeowners insurance customers to competing brands, and it also hoped to cross-sell life insurance. Customer research revealed that by far the most critical driver of retention, and ultimately brand equity, was how customers were treated in the claims process, in which customers interact with several employees, notably their agent. That experience represents a "day of reckoning" for a product that a customer has long been paying for—but is only now tangibly benefiting from. Consequently, the quality of the experience has a dramatic impact on customer retention, on word-of-mouth communication about the brand, and on the insurer's ability to cross-sell (see Exhibit 2).

Exhibit 2: A U.S. property/casualty insurer found that delivering a good claims experience led by an outstanding agent had a sizable advantage in cross-selling life insurance.



Delivery on the brand's promise may even involve employees outside of the organization. The brand of Furniture.com, an online furniture retailer, is highly dependent on the experience a customer has in selecting, ordering, and receiving merchandise. Indeed, the company's brand hinges on the premise—and promise—that the ease of buying a sofa without leaving the living room will outweigh the value of testing the softness of the cushions at a showroom. The only face-to-face interaction that a Furniture.com customer has during the buying process, however, is with one of the independent truckers on contract to deliver and assemble its products. If that driver is rude, scratches walls, or has difficulty setting up the sofa, the company's brand will suffer.

Providing superior, consistent service across the many moments of truth represents a major challenge. Yet despite the importance of delivering a customer experience that supports the brand, most companies don't understand what enables and what hinders employee effectiveness at the key moments of truth. As a result, employees often cannot deliver to their fullest potential.

Senior executives can't simply mandate that employees support the brand promise. It takes a deep understanding of what employees value, how they experience the brand, and how they contribute to delivering the customer experience in order to convert them to a new approach. Most executives acknowledge the economic rationale of improving employee effectiveness and the rationale for improving customer loyalty. What's not well recognized is that the two are linked. Employee commitment and capability have a significant, quantifiable impact on the customer experience, which in turn has a major impact on brand equity and shareholder value.

Barriers to delivery

When human interactions undermine a company's brand promise, the problem often is not bad intentions or lack of interest among employees. Rather, employees on the front line tend to misunderstand the priorities implied by the promise or don't have the wherewithal—the training, tools, time, or latitude—to deliver. They often face severe gaps between what customers expect and what they are able to do for customers. In our experience, among the most prevalent organizational barriers to delivering on the brand promise are:

- *Inadequate staffing and training.* Clearly, employees who are poorly trained or whose numbers are insufficient to do a job properly will deliver an inferior experience. This is particularly true if they are in a key customer-facing position. Such a situation can occur as part of a downsizing move, when cost-cutting tends to be done across the board. Wholesale staff cuts can destroy brand equity if they undermine customer service or other important aspects of the customer relationship.

Staffing and training issues have become more pressing as the ongoing shift to a digital economy, where customers engage in transactions over the Internet, is changing the skill set required of many front-line employees. Where once they were order-takers, increasingly employees add value by being effective advisors, or even

advocates, for the customer. To perform this role, they must thoroughly understand how to mobilize other parts of the organization to deliver a unified experience to the customer.

- *Inefficient business processes.* Unresponsive back-office staff, departments that operate in silos, or computer systems that don't mesh well tend to generate time-consuming, morale-sapping "workarounds." Call centers at many firms, for example, require that customers fax a change of address to another department, because the call centers don't have the technology that allows customers to make the change on the phone.

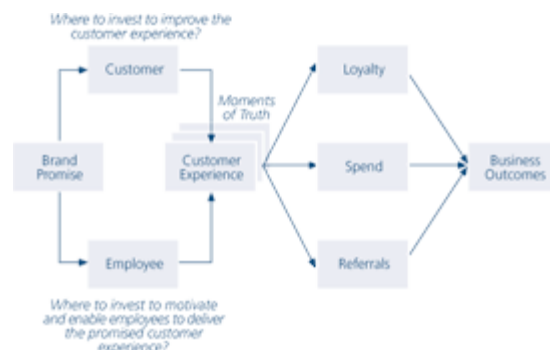
A related problem is when employees lack the authority to solve the customer's problems themselves. For all the buzz about flatter hierarchies, top-down bureaucracy remains entrenched at many organizations. Only a minority of companies give front-line workers appropriate leeway to exercise their own judgment in serving customers.

- *Lack of information.* Without detailed information on individual customers, accessible in real time, employees are shackled. If a customer calls with a problem, the phone representative can't respond quickly. The single phone call, possibly the only human interaction the customer has with the firm over the course of a year, represents a source of irritation for the customer, who must wait for a solution to his or her problem. It also represents a missed opportunity for the customer service representative to move from solving the problem to making the customer aware of other services.
- *Misaligned incentives.* Company cultures and reward systems may emphasize sales over service, or servicing as many customers as possible rather than solving a customer's problem. Many dot-com companies have taken this tack because their growth is outpacing their capacity to provide decent service. Another problem is poor responsiveness by back-office staff, who often have different incentives from front-line employees.
- *Poor communications.* This applies both within the company and between employees and customers; in fact, the two are often linked. Management sends mixed signals about the brand promise or never articulates the standards designed to reinforce the promise. So employees feel isolated, confused, and improvise as best they can—in turn jeopardizing their ability to deliver on the promise.

An effective human capital framework

Some of the leading brand builders have found ways to remove these barriers to delivery. They recognize that aligning human capital practices and investments to improve the customer experience leads to a stronger brand, more enduring customer relationships, higher profits, and a platform for growth (see Exhibit 3).

Exhibit 3: Delivering the branded customer experience.



A fact-based, scientific process is a powerful way to measure the impact on brand equity of different customer and employee investments, and then allocate finite resources to areas that will generate the greatest return on investment. This process should first reveal which moments of truth matter most to customers—which have the greatest impact on brand equity, and where the company currently falls short. It then highlights where the gaps are on the employee side, and which investments will provide the greatest leverage. With employees, the important investments go beyond monetary compensation. Pay may be enough to get people in the door, but it's not enough to keep them, let alone to create true "brand ambassadors."

Companies seeking to align their human capital practices and investments with the brand must address six interrelated areas that together determine the kind of customer experience employees deliver (see Exhibit 4):

Exhibit 4: Human capital should be aligned with the brand in six areas.



- **People**—the experience and competencies of employees, and specific policies aimed at selecting or developing them
- **Processes**—how the work gets done
- **Structure**—how management assigns roles and responsibilities
- **Information and knowledge**—the availability and timeliness of critical business information
- **Decision-making**—how decisions get made that affect the customer
- **Rewards**—the motivation of people through pay and other incentives

This model grew out of more than 300 studies that examined how performance is affected when a company changes its

Employees often face huge gaps between what customers expect and what the organization empowers them to do for customers.

management of one or more of the six areas. The model operates implicitly in all businesses, often without any coherent guiding strategy or metrics. It becomes a powerful tool when used deliberately to develop and align the human capital strategy with the brand.

Making changes in one or two of the areas can create operational improvements and marginal increases in productivity. The most effective strategies, however, employ all six simultaneously on an integrated rather than piecemeal basis. An integrated human capital strategy, linking each area to a common and coherent purpose, can create enormous value for the brand among customers and employees alike. This creates a virtuous cycle of engaged, committed employees who deliver what customers want, leading to higher

customer satisfaction, spending, and improved business results, which in turn makes the company a more attractive place to work and raises its status in the marketplace for talent.

Putting this model to work can best be understood by looking at the experience of two companies—Home Depot, which built its brand from scratch, and Continental Airlines, which successfully repositioned an ailing brand.

Inside Home Depot's big orange box

Home Depot, the home maintenance and renovation retailer, created one of the most successful business designs of the 1990s, with the company enjoying 42 percent combined annual

There are no aisle numbers at Home Depot, a design feature meant to encourage employees to escort customers and talk about the project at hand.

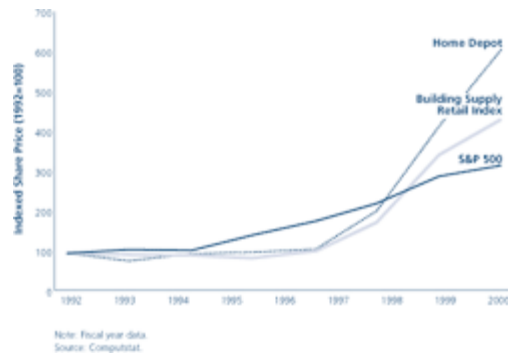
market value growth. Founders Arthur Blank and Bernard Marcus recognized that employees were as important as products and systems in delivering the company's brand promise: "Low prices are just the beginning." Before Home Depot was founded, homeowners typically had to visit a number of stores for the tools and materials necessary to complete a project. It also was difficult to find good advice for the entire project from stores offering products that addressed just one aspect of the project.

Home Depot targeted the unmet needs of do-it-yourselfers seeking value, convenience, and advice. The chain never aspired to the lowest price, but focused instead on being the single destination store. To capture a larger share of the customer's business required generating the confidence and excitement in customers that would encourage them to try new projects. The company relied heavily on its human capital to support this brand promise: People. Many of the employees in the stores have expertise in a building trade.

- *Processes.* Employees work throughout the store, not just in designated areas. There are no aisle numbers, a feature meant to encourage employees to escort customers from plumbing to paint—raising the likelihood the customer will buy multiple products.
- *Structure.* Home Depot offers hassle-free returns, any time, for any reason. To make this happen, Home Depot has minimized paperwork and given employees authority even in unusual situations such as when the customer lacks a receipt.
- *Information and knowledge.* Employees have data on all the products within their specialty division. The company sponsors frequent, department-specific training on products and building techniques.
- *Decision-making.* Senior management hammers home a key message in workshops, surprise store visits, and other encounters with employees: We're in the customer relationship business, not the transaction business. To deliver on that vision, the company gives associates and managers discretion in choosing the product mix, ordering, in-store signage, and layout.
- *Rewards.* Pay-for-performance plans apply to store and assistant managers, who can earn up to 50 percent of base pay in a bonus that's based on improvements on historical results.

By developing a strong corporate culture around the customer experience, Home Depot has created a powerful brand and delivered superior financial results and shareholder value (see Exhibit 5). Wall Street has recognized these efforts. As the investment house BancBoston Robertson Stephens put it, "Home Depot's associates are trained to value the customer first and foremost, and we believe it is this essential element that has enabled Home Depot to grow as quickly as it has and still be recognized as one of contemporary retail's premier service providers."

Exhibit 5: Home Depot's branded experience has produced superior value for shareholders.



Delivering a superior customer experience did not happen overnight for Home Depot, and the process requires continual vigilance, especially as a company reaches Home Depot's current size of nearly 200,000 employees. Arthur Blank acknowledged recently that Home Depot associates have been lax about escorting customers to the right aisle rather than simply pointing where to go. That's a problem he vows to fix.

Continental soars again

Perhaps even tougher than building a new brand is the challenge of turning around an ailing brand. Even a brilliant plan can be

Continental wanted to reposition itself to serve business travelers, but that meant rethinking the company's business design to enable employees to create the desired customer experience.

stymied by existing business processes, residual ill will among customers, and creditors who are reluctant to embark on a totally new course.

In 1990, Continental Airlines was faced with reviving its brand—indeed, its entire business. On the verge of bankruptcy, the airline decided to reposition itself from serving low-margin, price-sensitive "backpack and flip-flop" leisure travelers to serving higher-margin, service-sensitive business travelers.

But repositioning the brand would require something more fundamental than changing the advertising message: Continental needed to create an entirely new customer experience. Business travelers have completely different priorities from leisure travelers. Often under tight deadlines, they value on-time arrival, seamless service at the counter and on the phone, and rapid resolution of problems. Creating an advertising message that promised to address these needs without doing so in practice would further erode, rather than enhance, the Continental brand.

Continental had few internal capabilities to execute the new strategy. For years, Continental's on-time arrivals, baggage handling, and customer complaints had ranked among the worst of the major airlines. Employee morale had plummeted, as reflected by high absenteeism, turnover, and workers compensation claims. The customer experience, and by extension the brand, were in disarray. So what was Continental to do?

The company first embarked on a comprehensive identity and image redesign effort—starting with intensive research among

The airline gave employees far broader leeway to make decisions and shifted the focus from rules to performance.

employees, customers, and travel agents to determine prevalent perceptions of the airline

and opportunities for change. To reinforce Continental's desired image as the airline of choice for business people, all aspects of the company's identity were totally redesigned, including the logo, aircraft exteriors and interiors, employee uniforms, tableware, airport facilities, signage, and marketing collateral.

While these changes, implemented over several years, were a critical foundation for improving the airline's image (in the eyes of employees as well as customers), transforming the customer experience would require Continental to rethink the employees' role in creating that experience.

Gordon Bethune, who took the helm as CEO in 1994, recognized that Continental needed to develop new organizational capabilities to support the new brand promise targeted at business travelers. "Cash problems, reliability problems, marketing problems ... they all have at their base the people who are doing things that don't make sense," Bethune wrote in his book about the turnaround, *From Worst to First*. Viewing employees as value-creating assets—rather than as expenses to be minimized—he understood that human capital changes were essential to realize the full potential of Continental's significant investment in identity redesign.

Bethune and his management team were able to push through an integrated plan to align and enable employees to deliver on Continental's new promise of excellent service for the business traveler. The company reinvented the organization along each dimension to reinforce the new promise:

- *People*. A new emphasis was put on employees being advocates for the Continental brand. For example, Bethune has lunch with each new class of flight attendants to communicate their role in the brand's success. At least one corporate officer sits in on the final interview of each flight attendant.
- *Processes*. Continental refocused employees on the customer experience and customer service. Executives, too, began to work differently, symbolized by spending time alongside baggage handlers and gate agents. Executives were no longer permitted to take vacations during peak travel times.
- *Structure*. The 800-page manual was ceremoniously burned in a parking lot and replaced by an 80-page document mailed to all employees. Employees wrote the new corporate manual and were given broader leeway to make amends with upset customers and make operational decisions.
- *Information and knowledge*. Hundreds of bulletin boards throughout the system give a continuous update of performance on key criteria. A CEO voicemail to the firm each week discusses the state of the company and efforts to keep operations aligned with the brand strategy. Upper management hosts a monthly open house for employees to ask questions and give feedback. And a telephone hotline is staffed around the clock to take employee suggestions.
- *Decision-making*. The old emphasis on individual compliance with rules was replaced with a focus on raising overall airline performance—fewer late arrivals, customer complaints, luggage snafus, and involuntary denied boardings—and each employee's contribution to that performance.
- *Rewards*. Employees receive a \$65 bonus each month that Continental ranks in the top three airlines for on-time ratings. This program is self-funding because of decreasing payouts to other airlines to accommodate missed connections. Perfect attendance is also rewarded by the chance to win a Ford Explorer (more than fifty have been won). Performance-based rewards were also put in place for sales and customer service employees.

Continental's new strategy of focusing on business travelers and helping employees to satisfy this demanding segment has been successful on many fronts and over a sustained period. Employee productivity and retention have sharply improved, with turnover down 45 percent, workers compensation claims down 51 percent, and revenue per employee up 20 percent from 1994 through 1998. Committed, enabled employees have driven higher customer

satisfaction, as reflected in several awards by independent rating firms, including in the critical business traveler class. And greater employee and customer loyalty have dropped directly to the bottom line (see Exhibit 6). These results attest to Continental's success in realizing the vision articulated in a strategy statement back in 1990: "Our success depends on our customer experiences with and perceptions of our service. We will invest to ensure superior personal service. Our employees will have the tools they need to achieve the status we seek."

Exhibit 6: Continental's turnaround.



Connecting with customers

You can brilliantly position a brand to appeal to the most valuable customers—today's and tomorrow's. You can identify

Aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise.

those elements of the brand that drive customer choice. You can design a customer experience that should enhance those brand equity elements in all the interactions between customer and company. But if the entire business doesn't deliver on the brand promise made to customers, brand-building efforts go for naught. And because such an effort hinges on the commitment and capabilities of employees, companies must learn to unleash the full force of their human capital.

Developing employees into enthusiastic, knowledgeable brand ambassadors is not easy to do. It requires internal marketing that is as sophisticated as external marketing. It requires metrics that trace and quantify the linkages between customer/employee interactions and the brand promise. It requires a constant reassessment of employee skills and tools so that workers are equipped to anticipate changing customer priorities and how the brand must evolve in response.

Indeed, this approach to aligning human capital strategy with brand strategy has one overarching benefit: Customer priorities end up driving the whole enterprise. The needs of key customers shape the brand promise, which in turn determines how the company invests in its human capital and what tasks employees do each day. At Home Depot, customers have suggested a majority of the items that the company eventually has stocked. The main reason for any firm to deploy technology and other physical assets is to enable employees to deliver a customer experience that drives brand equity ever higher.

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Human capital strategy and tactics are not usually included in most discussions about brand

building. Yet as the sum of the articles in this issue makes clear, brand-building activities need to be integrated into a company's overall business strategy in order to capture mindshare among customers, employees, and investors.

The successful brand today is embedded in every aspect of the business design, starting with customer selection and moving right through to a company's organizational systems—in particular, how employees interact with customers. This integrated approach ensures that the brand will be a powerful tool for achieving sustainable competitive advantage.

In the end, the Wedgwood imprint and the Harley-Davidson tattoo represent more than the memory of a product transaction; they celebrate a cherished experience. Achieving that visceral connection between customer and company is the essence of a successful brand strategy.

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